

Mr. Frank Sinicrope, Chief Financial Officer  
Chester County Hospital and Nursing Center  
1 Medical Park Drive, Box 56  
Chester, South Carolina 29706

Re: AC# 3-CHE-J5 – Chester County Hospital, Inc. d/b/a Chester County Nursing Center

Dear Mr. Sinicrope:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Mr. Frank Sinicrope, Chief Financial Officer  
Chester County Hospital and Nursing Center  
1 Medical Park Drive, Box 56  
Chester, South Carolina 29706

Re: Draft Report - AC# 3-CHE-J5 – Chester County Hospital, Inc. d/b/a Chester County  
Nursing Center

Dear Mr. Sinicrope:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA  
Director of Federal Audits

RJM/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director  
Division of Home Health and Nursing Home Services  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

Re: Draft Report - AC# 3-CHE-J5 – Chester County Hospital, Inc. d/b/a Chester County  
Nursing Center

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA  
Director of Federal Audits

RJM/cwc

cc: Mr. Jeff Saxon  
Mr. Robert M. Kerr

**CHESTER COUNTY HOSPITAL, INC.  
D/B/A CHESTER COUNTY NURSING CENTER**

**CHESTER, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1996  
AC# 3-CHE-J5**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 10, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Chester County Hospital, Inc. d/b/a Chester County Nursing Center, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Chester County Hospital, Inc. d/b/a Chester County Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Chester County Hospital, Inc. d/b/a Chester County Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
July 10, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**CHESTER COUNTY HOSPITAL, INC.**  
**D/B/A CHESTER COUNTY NURSING CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1996  
AC# 3-CHE-J5

Interim reimbursement rate (1)	\$87.39
Adjusted reimbursement rate	<u>85.21</u>
Decrease in reimbursement rate	<u>\$ 2.18</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999



**CHESTER COUNTY HOSPITAL, INC.  
D/B/A CHESTER COUNTY NURSING CENTER**

Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1996 Through September 30, 1997  
AC# 3-CHE-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$ 61.15	\$40.65	\$40.65
Dietary	<u>-</u>	<u>14.65</u>	<u>8.59</u>	<u>8.59</u>
Subtotal	<u>\$ -</u>	75.80	49.24	49.24
Laundry/Housekeeping/Maint.	\$ -	12.32	7.04	7.04
Administration & Med. Rec.	<u>-</u>	<u>11.71</u>	<u>8.55</u>	<u>8.55</u>
Subtotal	<u>\$ -</u>	99.83	<u>\$64.83</u>	64.83
<u>Costs Not Subject to Standards:</u>				
Utilities		4.68		4.68
Special Services		-		-
Medical Supplies & Oxygen		2.24		2.24
Taxes and Insurance		.38		.38
Legal Fees		<u>.14</u>		<u>.14</u>
<b>TOTAL</b>		<u>\$107.27</u>		72.27
Inflation Factor (4.90%)				3.54
Cost of Capital				11.43
Cost of Capital Limitation				(2.28)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u><u>\$85.21</u></u>

**CHESTER COUNTY HOSPITAL, INC.**  
**D/B/A CHESTER COUNTY NURSING CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1995  
 AC# 3-CHE-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,937,918	\$248,875 (1)	\$ -	\$2,186,793
Dietary	519,377	4,699 (1)	-	524,076
Laundry	70,402	-	1,163 (1)	69,239
Housekeeping	136,958	27,576 (1)	-	164,534
Maintenance	132,284	74,500 (1)	-	206,784
Administration & Medical Records	294,890	123,841 (1)	-	418,731
Utilities	125,752	41,471 (1)	-	167,223
Special Services	80,319	-	80,319 (1)	-
Medical Supplies & Oxygen	175,550	-	95,492 (1)	80,058
Taxes & Insurance	18,568	-	5,157 (1)	13,411
Legal Fees	-	5,080 (1)	-	5,080
Cost of Capital	264,631	110,776 (1)	-	408,620
		<u>33,213 (2)</u>		
Subtotal	3,756,649	670,031	182,131	4,244,549

**CHESTER COUNTY HOSPITAL, INC.**  
**D/B/A CHESTER COUNTY NURSING CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1995  
 AC# 3-CHE-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	31,046	-	30,732 (1)	314
Non-Allowable	<u>3,177</u>	<u>133,159</u> (1)	<u>33,213</u> (2)	<u>103,123</u>
Total Operating Expenses	<u>\$3,790,872</u>	<u>\$803,190</u>	<u>\$246,076</u>	<u>\$4,347,986</u>
TOTAL PATIENT DAYS	<u>35,761</u>	<u>-</u>	<u>-</u>	<u>35,761</u>

TOTAL BEDS 100

**CHESTER COUNTY HOSPITAL, INC.**  
**D/B/A CHESTER COUNTY NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-CHE-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$248,875	
	Dietary	4,699	
	Housekeeping	27,576	
	Maintenance	74,500	
	Administration	123,841	
	Utilities	41,471	
	Legal	5,080	
	Cost of Capital	110,776	
	Nonallowable	133,159	
	Laundry		\$ 1,163
	Medical Supplies		95,492
	Taxes and Insurance		5,157
	Special Services		80,319
	Ancillary		30,732
	Other Equity		557,114
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	33,213	
	Nonallowable		33,213
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$803,190</u>	<u>\$803,190</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**CHESTER COUNTY HOSPITAL, INC.**  
**D/B/A CHESTER COUNTY NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1995  
 AC# 3-CHE-J5

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.0472</u>	<u>2.0472</u>	
Deemed Asset Value (Per Bed)	31,973	31,973	
Number of Beds	<u>62</u>	<u>38</u>	
Deemed Asset Value	1,982,326	1,214,974	
Improvements Since 1981	396,496	19,602	
Accumulated Depreciation at 9/30/95	<u>(860,938)</u>	<u>(610,909)</u>	
Deemed Depreciated Value	1,517,884	623,667	
Market Rate of Return	<u>.070</u>	<u>.070</u>	
Total Annual Return	106,252	43,657	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	106,252	43,657	
Depreciation Expense	232,754	83,183	
Amortization Expense	-	-	
Capital Related Income Offsets	(35,480)	(21,746)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	303,526	105,094	\$408,620
Total Patient Days (Actual Days)	<u>22,172</u>	<u>13,589</u>	<u>35,761</u>
Cost of Capital Per Diem	\$ <u>13.69</u>	\$ <u>7.73</u>	\$ <u>11.43</u>

**CHESTER COUNTY HOSPITAL, INC.**  
**D/B/A CHESTER COUNTY NURSING CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1995  
 AC# 3-CHE-J5

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 6.02	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$10.01</u>	<u>\$7.73</u>
Reimbursable Cost of Capital Per Diem*		\$ 9.15
Cost of Capital Per Diem		<u>11.43</u>
Cost of Capital Per Diem Limitation		\$ <u>(2.28)</u>

\* [(\$10.01 x 22,172) + 105,094] ÷ 35,761